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CAPITAL AREA LEGAL SERVICES CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2002

RECIPIENT NO. 619010

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Release Date 5/7/03

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2002, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Capital Area Legal Services Corporation as of December 31, 2001, were audited by other auditors whose report dated May 3, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 2002, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2003, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Capital Area Legal Services Corporation

Our audit was performed for the purpose of forming an opinion on the financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of Federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

Crowley, Louisiana
April 3, 2003

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,359	\$ 172,020
Cash on deposit for other LSC recipients	-	20,500
Grants and contracts receivable	6,975	38,695
Rent receivable	5,854	6,325
Pledges receivable - current portion	10,168	15,042
Other current receivables	9,065	-
Prepaid expenses	12,545	20,124
Total current assets	<u>\$ 82,966</u>	<u>\$ 272,706</u>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Client trust accounts - active	\$ 22,790	\$ 35,884
Client trust accounts - inactive	39,751	25,731
Total restricted assets	<u>\$ 62,541</u>	<u>\$ 61,615</u>
NONCURRENT ASSETS		
Pledges receivable - noncurrent portion	\$ 7,362	\$ 27,278
Utility deposits	253	253
Total noncurrent assets	<u>\$ 7,615</u>	<u>\$ 27,531</u>
FIXED ASSETS, at cost, net of accumulated depreciation of \$293,288 and \$258,702 for 2002 and 2001, respectively		
	<u>\$ 564,540</u>	<u>\$ 558,041</u>
Total assets	<u><u>\$ 717,662</u></u>	<u><u>\$ 919,893</u></u>

See Notes to Financial Statements.

	<u>2002</u>	<u>2001</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 15,369	\$ 32,897
Accrued liabilities	7,756	8,079
Undistributed State grant funds to other LSC recipients	-	20,500
Accrued annual leave	37,080	37,080
Deferred revenue	461	124,634
Notes payable - current portion	42,012	55,044
Total current liabilities (payable from current assets)	<u>\$ 102,678</u>	<u>\$ 278,234</u>
CURRENT LIABILITIES (payable from restricted assets)		
Client trust deposits - active	\$ 22,790	\$ 35,916
Client trust deposits - inactive	39,751	25,731
Total current liabilities (payable from restricted assets)	<u>\$ 62,541</u>	<u>\$ 61,647</u>
LONG-TERM LIABILITIES		
Notes payable - long-term portion	\$ 438,304	\$ 454,403
Total liabilities	<u>\$ 603,523</u>	<u>\$ 794,284</u>
NET ASSETS		
Temporarily restricted:		
Legal Services Corporation:		
Undesignated	\$ (10,004)	\$ 19,905
Property	109,724	63,384
Non-LSC	14,419	42,320
Total net assets	<u>\$ 114,139</u>	<u>\$ 125,609</u>
Total liabilities and net assets	<u><u>\$ 717,662</u></u>	<u><u>\$ 919,893</u></u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended December 31, 2002
 With Comparative Totals for Year Ended December 31, 2001

	Temporarily Restricted			Total - All Funds	
	Legal Services Corporation	Non-LSC	Property	2002	2001
Support and revenues:					
Legal Services Corporation	\$ 1,495,638	\$ -	\$ -	\$ 1,495,638	\$ 1,492,348
Louisiana Bar Foundation:					
IOLTA Grant	-	105,533	-	105,533	105,533
Equal Justice Conference Award	-	-	-	-	1,400
Elderly Protective Services	-	146,266	-	146,266	162,064
Councils on Aging:					
Capital Area Agency on Aging, Inc.	-	18,617	-	18,617	10,867
Various Councils on Aging	-	15,620	-	15,620	15,047
Parish Governments:					
Ascension Parish Government	-	15,000	-	15,000	12,400
Assumption Parish Police Jury	-	4,200	-	4,200	4,200
City of Baton Rouge - Parish of East Baton Rouge	-	39,290	-	39,290	40,530
Iberville Parish Government	-	10,000	-	10,000	10,000
Pointe Coupee Parish Police Jury	-	5,800	-	5,800	5,800
St. James Parish Government	-	5,800	-	5,800	5,800
St. John the Baptist Parish Government	-	10,000	-	10,000	10,000
Terrebonne Parish Gonsolidated Government	-	15,000	-	15,000	14,600
West Feliciana Parish Police Jury	-	6,030	-	6,030	6,030
Entergy Charitable Foundation	-	25,000	-	25,000	25,000
Imperial Foods	-	-	-	-	60,000
Local attorneys and law firms	-	-	-	-	45,820
State of Louisiana:					
Computer Upgrade Assistance	-	58,060	-	58,060	43,233
Merger Assistance	-	13,500	-	13,500	9,000
Gillis W. Long Poverty Law Center	-	4,000	-	4,000	4,400
Court Filing Fees:					
Baton Rouge City Court	-	15,706	-	15,706	17,201
19th Judicial District Court	-	11,290	-	11,290	16,286
Family Court	-	10,708	-	10,708	-
Rental income	-	54,866	-	54,866	5,950
Donated services	-	62,743	-	62,743	275,803
Interest income	1,612	254	-	1,866	10,748
Miscellaneous income	4,015	421	-	4,436	4,627
Total support and revenues (forward)	\$ 1,501,265	\$ 653,704	\$ -	\$ 2,154,969	\$ 2,414,687

(Continued)

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended December 31, 2002

With Comparative Totals for Year Ended December 31, 2001

	Temporarily Restricted			Total - All Funds	
	Legal Services Corporation	Non-LSC	Property	2002	2001
Total support and revenues (forwarded)	\$ 1,501,265	\$ 653,704	\$ -	\$ 2,154,969	\$ 2,414,687
Expenses:					
Salaries and wages:					
Lawyers	\$ 407,905	\$ 45,471	\$ -	\$ 453,376	\$ 470,935
Non-lawyers	461,876	221,356	-	683,232	673,925
Employee benefits	191,358	52,728	-	244,086	236,714
Space cost and renovations	61,909	57,182	-	119,091	96,058
Equipment rentals and maintenance	36,418	3	-	36,421	80,443
Office supplies and expenses	39,439	3,717	-	43,156	43,307
Travel and training	54,610	24,452	-	79,062	82,382
Utilities	28,013	916	-	28,929	27,972
Telephone	53,842	4,840	-	58,682	65,364
Insurance	24,739	1,375	-	26,114	22,060
Depreciation	-	-	34,586	34,586	26,096
Donated services	-	62,743	-	62,743	283,753
Contractual services	74,748	20,192	-	94,940	86,278
Membership fees	2,360	8,561	-	10,921	10,707
Litigation costs	1,887	91	-	1,978	1,275
Baton Rouge Bar Foundation	29,997	-	-	29,997	38,000
Interest expense	154	37,859	-	38,013	13,771
Property management fees	-	4,800	-	4,800	400
Other supplies	3,866	16,902	-	20,768	7,331
Access to Justice	-	6,884	-	6,884	4,599
Staff parking	14,885	5,350	-	20,235	17,728
Audit fees	30,650	7,900	-	38,550	23,734
Fundraising expenses	6,086	6,711	-	12,797	4,997
Miscellaneous	6,432	10,646	-	17,078	19,375
Total expenses	\$ 1,531,174	\$ 600,679	\$ 34,586	\$ 2,166,439	\$ 2,337,204
Change in net assets before other changes	\$ (29,909)	\$ 53,025	\$ (34,586)	\$ (11,470)	\$ 77,483
Other changes:					
Equipment purchases and payments on fixed asset debt	-	(80,926)	80,926	-	-
Change in net assets	\$ (29,909)	\$ (27,901)	\$ 46,340	\$ (11,470)	\$ 77,483
Net assets, beginning	19,905	42,320	63,384	125,609	48,126
Net assets, ending	\$ (10,004)	\$ 14,419	\$ 109,724	\$ 114,139	\$ 125,609

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,470)	\$ 77,483
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	34,586	26,096
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants and contracts receivable	31,720	(10,940)
Rent receivable	471	(6,325)
Pledges receivable	24,790	(34,370)
Other current receivables	(9,065)	-
Prepaid expenses	7,579	(5,990)
Utility deposits	-	27
Increase (decrease) in liabilities:		
Accounts payable	(17,528)	21,959
Accrued liabilities	(323)	
Undistributed State grant funds to other LSC recipients	(20,500)	20,500
Deferred revenue	(124,173)	(132,589)
Other current liabilities	-	(4,704)
Client trust deposits	894	1,420
Net cash used by operating activities	<u>\$ (83,019)</u>	<u>\$ (47,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of fixed assets	<u>\$ (41,085)</u>	<u>\$ (470,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	\$ 25,500	\$ 469,790
Principal payments on long-term debt	<u>(54,631)</u>	<u>(98,260)</u>
Net cash provided (used) by financing activities	<u>\$ (29,131)</u>	<u>\$ 371,530</u>
Net decrease in cash and cash equivalents	\$ (153,235)	\$ (146,450)
Cash and cash equivalents, beginning	<u>254,135</u>	<u>400,585</u>
Cash and cash equivalents, ending	<u>\$ 100,900</u>	<u>\$ 254,135</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	<u>\$ 38,013</u>	<u>\$ 13,534</u>

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Capital Area Legal Services Corporation (the Corporation) is a nonprofit organization created in 1974 to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Corporation provides legal assistance to residents in the following parishes in the State of Louisiana: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, Lafouche, Pointe Coupee, St. Charles, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles and the requirements of Legal Services Corporation. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements are classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with a maturity of three months or less to be cash equivalents.

Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

Buildings and improvements	40 Years
Furniture and equipment	3 - 10 Years
Library	5 Years

Compensated absences:

Full time employees earn vacation leave at a rate of 10 hours per month. Employees with three to five years of service earn 12 hours per month and employees with five or more years of service earn 14 hours per month of vacation leave. Maximum annual leave that can be carried over to subsequent years is 80 hours. Accrued annual leave at December 31, 2002, is \$37,080.

Deferred revenue:

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

The Corporation also received funds from the following governmental entities: Ascension Parish Government, Assumption Parish Police Jury, City of Baton Rouge - Parish of East Baton Rouge, Iberville Parish Government, Pointe Coupee Parish Police Jury, St. James Parish Government, St. John the Baptist Parish Government, Terrebonne Parish Consolidated Government, and West Feliciana Parish Police Jury to provide civil legal services to low-income and elderly citizens.

Capital Area Legal Services Corporation received funding from the following Council on Aging Agencies: Capital Area Agency on Aging, Inc., Lafourche Council on Aging, Inc., St. Charles Council on Aging, Inc., St. James Area Agency on Aging, St. John Council on Aging, Inc., and Terrebonne Council on Aging, Inc. to provide legal services to elderly citizens under Title III of the Older Americans' Act of 1965.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

The Corporation also received funds from the following:

- State of Louisiana, Governor's Office of Elderly Affairs - to provide legal services to citizens under elderly protective services;
- State of Louisiana, General Appropriation Act 12, State Mergers - to offset merger costs associated with the consolidation of legal service corporations in the State;
- State of Louisiana, General Appropriation Act 12, Computer Upgrades - to upgrade the computer system including computers, printers, website, telephone systems for rural offices, and accounting software; and
- Louisiana Bar Foundation, Interest on Lawyers Trust Accounts (IOLTA) Program - to provide free legal assistance in civil matters according to the eligibility standards approved by the Board of Directors in accordance with LSC regulations.

Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, if they create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income taxes:

Capital Area Legal Services Corporation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Private attorney involvement (PAI):

Legal Services Corporation requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff.

Note 2. Cash and Cash Equivalents

At December 31, 2002, the carrying amount of the Corporation's deposits totaled \$100,900 and the bank balances totaled \$121,479. Bank balances are fully insured by Federal Deposit Insurance Corporation (FDIC) coverage at year-end.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 3. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2002, consisted of the following:

Ascension Parish Government	\$ 2,250
Assumption Parish Police Jury	1,050
Terrebonne Parish Consolidated Government	3,550
St. James Area Agency on Aging	125
Total grant funds receivable	<u>\$ 6,975</u>

Note 4. Unconditional Promises to Give

Pledges receivable represent promises to give which have been made by donors but not yet received by the Corporation. Pledges that will be received in the subsequent year have been discounted using an estimated rate of return that could be earned if such contributions had been made in the current year. The Corporation considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided.

Unconditional promises to give at December 31, 2002, consisted of the following:

Pledges receivable - current portion	\$ 10,168
Pledges receivable - noncurrent portion	<u>10,167</u>
Total unconditional promises to give	\$ 20,335
Less: discount to present value	<u>(2,805)</u>
Net unconditional promises to give	<u>\$ 17,530</u>

Note 5. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. The Corporation uses approximately 17% of the building to provide legal services to the residents of Ascension, Assumption, St. James, and St. John the Baptist parishes and leases out approximately 83% of the building to three businesses as follows:

- Lessee 1: \$800 per month for the period 01/16/03 - 01/15/04.
- Lessee 2: \$1,440 per month for the period 11/01/02 - 10/31/03.
- Lessee 3: \$1,500 per month on a month-to-month basis.

Minimum future rentals to be received under these leases are as follows:

Years Ending
December 31,

2003	\$ 24,000
2004	<u>800</u>
Total minimum future rentals	<u>\$ 24,800</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Total rental income recognized for the years ended December 31, 2002 and 2001, totaled \$54,866 and \$5,950, respectively. Rental income receivable at year-end is \$5,854.

Note 6. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. Legal Services Corporation has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

Buildings and improvements	\$ 513,167
Furniture and equipment	306,104
Library	38,557
Total fixed assets	\$ 857,828
Less: accumulated depreciation	(293,288)
Net fixed assets	<u>\$ 564,540</u>

Depreciation expense for the years ended December 31, 2002 and 2001, totaled \$34,586 and \$26,096, respectively. Of the total assets, \$30,547 of assets was acquired in prior years through capital leases.

Note 7. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2002:

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Legal Services Corporation:		
Basic Field - General Grant	01/01/02 - 12/31/02	<u>\$1,495,638</u>
Louisiana Bar Foundation:		
IOLTA Grant	01/01/02 - 12/31/02	<u>\$ 105,533</u>
State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program:		
2001 - 2002 Grant	07/01/01 - 06/30/02	\$ 68,487
2002 - 2003 Grant	07/01/02 - 06/30/03	73,812
Professional services contract	07/01/01 - 06/30/02	3,967
Subtotal		<u>\$ 146,266</u>
Subtotal (forward)		<u>\$1,747,437</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Subtotal (forwarded)		<u>\$1,747,437</u>
Capital Area Agency on Aging, Inc.:		
2001 - 2002 Grant	07/01/01 - 06/30/02	\$ 9,689
2002 - 2003 Grant	07/01/02 - 06/30/03	<u>8,928</u>
Subtotal		<u>\$ 18,617</u>
Lafourche Council on Aging, Inc.:		
2001 - 2002 Grant	07/01/01 - 06/30/02	\$ 2,414
2002 - 2003 Grant	07/01/02 - 06/30/03	<u>2,536</u>
Subtotal		<u>\$ 4,950</u>
St. Charles Council on Aging, Inc.	07/01/99 - 06/30/03	<u>\$ 1,727</u>
St. James Area Agency on Aging:		
2001 - 2002 Grant	07/01/01 - 06/30/02	\$ 750
2002 - 2003 Grant	07/01/02 - 06/30/03	<u>750</u>
Subtotal		<u>\$ 1,500</u>
St. John Council on Aging, Inc.	07/01/99 - 06/30/03	<u>\$ 2,058</u>
Terrebonne Council on Aging, Inc.:		
2001 - 2002 Grant	07/01/01 - 06/30/02	\$ 2,620
2002 - 2003 Grant	07/01/02 - 06/30/03	<u>2,765</u>
Subtotal		<u>\$ 5,385</u>
Ascension Parish Government	01/01/02 - 12/31/02	<u>\$ 15,000</u>
Assumption Parish Police Jury	01/01/02 - 12/31/02	<u>\$ 4,200</u>
City of Baton Rouge - Parish of East Baton Rouge	01/01/02 - 12/31/02	<u>\$ 39,290</u>
Iberville Parish Government	01/01/02 - 12/31/02	<u>\$ 10,000</u>
Pointe Coupee Parish Police Jury	01/01/02 - 12/31/02	<u>\$ 5,800</u>
St. James Parish Government	01/01/02 - 12/31/02	<u>\$ 5,800</u>
St. John the Baptist Parish Government	01/01/02 - 12/31/02	<u>\$ 10,000</u>
Terrebonne Parish Consolidated Government	01/01/02 - 12/31/02	<u>\$ 15,000</u>
West Feliciana Parish Police Jury	01/01/02 - 12/31/02	<u>\$ 6,030</u>
Entergy Charitable Foundation, Utility Advocacy Project	06/01/02 - 12/31/02	<u>\$ 25,000</u>
Subtotal (forward)		<u>\$1,917,794</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Subtotal (forwarded)		<u>\$1,917,794</u>
State of Louisiana, Act 12		
Appropriation:		
Computer Upgrade Assistance		\$ 58,060
Merger Assistance		13,500
Subtotal		<u>\$ 71,560</u>
Gillis W. Long Poverty Law		
Center Grant	06/01/02 - 08/31/02	<u>\$ 4,000</u>
Total grants and contracts		<u>\$1,993,354</u>

Note 8. Lease of Facilities

The Corporation leases various buildings to serve as branch offices. For the years ended December 31, 2002 and 2001, the Corporation expended \$72,600 and \$68,725, respectively on lease payments. The following details the written lease agreements in effect for the year ended December 31, 2002:

- Houma office: \$1,050 per month, automatically renews each year.
- Baton Rouge office: \$5,000 per month (for the first year of the lease agreement) for the period 12/01/01 - 11/30/06.

Minimum future lease payments required under the Baton Rouge office operating lease agreement for each of the next four years is as follows:

Years Ending
December 31,

2003	\$ 62,608
2004	65,112
2005	67,717
2006	64,342
Total minimum future lease payments	<u>\$ 259,779</u>

Note 9. Grants to Other Agencies

For the years ended December 31, 2002 and 2001, the Corporation granted \$29,997 and \$38,000, respectively, of LSC funds to the Baton Rouge Bar Foundation. This subgrantee is a pro bono program, which uses the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2002, this subgrantee had expended the entire 2002 grant award.

Note 10. Donated Services

Donated services are recognized both as support and expenses and therefore do

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

not affect the Corporation's net assets. Donated services, from a variety of unpaid volunteers assisting the Corporation, are valued at the rate normally charged for similar services in the surrounding area.

Donated services received for the years ended December 31, 2002 and 2001, totaled \$62,743 and \$283,753, respectively.

Note 11. Notes Payable

Notes payable at December 31, 2002, consisted of the following:

Note payable, Whitney National Bank, 7.25% interest, secured by a mortgage on the Corporation's Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due November 15, 2006. \$ 389,945

Note payable, Hibernia National Bank, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated June 6, 2000, monthly principal and interest payments of \$1,015, final payment due June 6, 2010. 64,871

Note payable, Hancock Bank of Louisiana, 7.00% interest, note dated April 12, 2002, due on demand, if no demand is made, one principal payment of \$25,500 due on March 12, 2003, quarterly interest payments due beginning July 12, 2002. 25,500

Total notes payable \$ 480,316

Less: current portion of notes payable (42,012)

Long-term notes payable \$ 438,304

Maturities of long-term notes payable for each of the next five years and in aggregate thereafter are as follows:

Years Ending December 31,	Whitney	Hibernia	Hancock	Total
2003	\$ 38,241	\$ 12,182	\$ 25,999	\$ 76,422
2004	38,241	12,182	-	50,423
2005	38,241	12,182	-	50,423
2006	379,999	12,182	-	392,181
2007	-	12,182	-	12,182
2008 - 2010	-	30,455	-	30,455
Totals	\$494,722	\$ 91,365	\$ 25,999	\$612,086
Less: interest	(104,777)	(26,494)	(499)	(131,770)
Present value	<u>\$389,945</u>	<u>\$ 64,871</u>	<u>\$ 25,500</u>	<u>\$480,316</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Interest expense for the years ended December 31, 2002 and 2001, totaled \$38,013 and \$13,771, respectively.

Note 12. Contingent Liabilities

A legal malpractice claim has been filed against the Corporation that alleges that the Corporation failed to properly represent a client. Counsel representing Capital Area Legal Services Corporation have taken the position that the plaintiff has no desire to pursue the claim since there has been no movement in the case since March 2000.

Note 13. Federal and State Grants

The Corporation participates in a number of Federal and State grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material to the overall financial position of the Corporation.

Note 14. Deferred Compensation Plan

In 1997, the Corporation established a 403(b)(7) tax-sheltered annuity plan (the Plan) for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the years ended December 31, 2002 and 2001, totaled \$29,472 and \$26,571, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 15. Classification of Expenses

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Expenses:			
Salaries and wages:			
Lawyers	\$ 350,182	\$ 103,194	\$ 453,376
Non-lawyers	508,257	174,975	683,232
Employee benefits	193,870	50,216	244,086
Space cost and renovations	104,800	14,291	119,091
Equipment rentals and maintenance	32,050	4,371	36,421
Office supplies and expenses	36,251	6,905	43,156
Travel and training	64,506	14,556	79,062
Utilities	25,458	3,471	28,929
Telephone	56,340	2,342	58,682
Insurance	19,066	7,048	26,114
Depreciation	28,752	5,834	34,586
Donated services	62,743	-	62,743
Contractual services	77,273	17,667	94,940
Membership fees	2,805	8,116	10,921
Litigation costs	1,887	91	1,978
Baton Rouge Bar Foundation	29,997	-	29,997
Interest expense	6,700	31,313	38,013
Property management fees	-	4,800	4,800
Other supplies	10,066	10,702	20,768
Access to Justice	6,884	-	6,884
Staff parking	15,070	5,165	20,235
Audit fees	10,040	28,510	38,550
Fundraising expenses	6,086	6,711	12,797
Miscellaneous	9,185	7,893	17,078
	<u>\$1,658,268</u>	<u>\$ 508,171</u>	<u>\$2,166,439</u>
Total expenses			

SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES AND EXPENSES -
LEGAL SERVICES CORPORATION
Year Ended December 31, 2002

	Basic Field		
	General	Private Attorney Involvement	Total
Support and revenues:			
Legal Services Corporation	\$ 1,308,354	\$ 187,284	\$ 1,495,638
Interest income	1,612	-	1,612
Miscellaneous income	4,015	-	4,015
Total support and revenues	<u>\$ 1,313,981</u>	<u>\$ 187,284</u>	<u>\$ 1,501,265</u>
Expenses:			
Salaries and wages:			
Lawyers	\$ 401,045	\$ 6,860	\$ 407,905
Non-lawyers	391,884	69,992	461,876
Employee benefits	181,077	10,281	191,358
Space cost and renovations	59,331	2,578	61,909
Equipment rentals and maintenance	35,407	1,011	36,418
Office supplies and expenses	37,841	1,598	39,439
Travel and training	50,933	3,677	54,610
Utilities	27,080	933	28,013
Telephone	52,297	1,545	53,842
Insurance	19,798	4,941	24,739
Contractual services	-	74,748	74,748
Membership fees	2,285	75	2,360
Litigation costs	1,833	54	1,887
Baton Rouge Bar Foundation	29,997	-	29,997
Interest expense	154	-	154
Other supplies	3,866	-	3,866
Staff parking	14,190	695	14,885
Audit fees	26,944	3,706	30,650
Fundraising expenses	6,086	-	6,086
Miscellaneous	1,842	4,590	6,432
Total expenses	<u>\$ 1,343,890</u>	<u>\$ 187,284</u>	<u>\$ 1,531,174</u>
Change in net assets	<u>\$ (29,909)</u>	<u>\$ -</u>	<u>\$ (29,909)</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES AND EXPENSES -
LOUISIANA BAR FOUNDATION - IOLTA GRANT
Year Ended December 31, 2002

Support and revenues:

Louisiana Bar Foundation - IOLTA	\$ 105,533
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Expenses:

Salaries and wages:

Lawyers	\$ 27,500
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Non-lawyers	51,818
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Employee benefits	14,120
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Travel and training	5,319
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Telephone	328
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Membership fees	265
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Access to Justice	4,383
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Audit fees	<u>1,800</u>
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Total expenses	\$ <u>105,533</u>
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Change in net assets	<u>\$ -</u>
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CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2002

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation:		
Basic Field - General	09.619010	<u>\$1,495,638</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

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Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Capital Area Legal Services Corporation (a nonprofit organization) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation.

Compliance

As part of obtaining reasonable assurance about whether Capital Area Legal Services Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Capital Area Legal

To the Board of Directors
Capital Area Legal Services Corporation

Services Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items #2002-1, 2002-2, 2002-3, and 2002-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poché, Lewis & Breaux, L.L.P.

Crowley, Louisiana
April 3, 2003



BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Capital Area Legal Services Corporation (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation, that are applicable to each of its major Federal programs for the year ended December 31, 2002. Capital Area Legal Services Corporation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

As described in items #2002-9, 2002-13, and 2002-14 in the accompanying schedule of findings and questioned costs, Capital Area Legal Services Corporation did not comply with requirements regarding LSC Grant Assurances, Outside Practice of Law, Use on Non-

To the Board of Directors
Capital Area Legal Services Corporation

LSC Funds, Eligibility, Restrictions on Lobbying and Certain Other Activities, and Restriction on Solicitation that are applicable to its Basic Field - General grant award. Compliance with such requirements is necessary, in our opinion, for Capital Area Legal Services Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2002.

Internal Control over Compliance

The management of Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Capital Area Legal Services Corporation's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items #2002-5, 2002-6, 2002-7, 2002-8, 2002-10, 2002-11, and 2002-12.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poché, Lewis & Breaux, L.L.P.

Crowley, Louisiana
April 3, 2003

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2002

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2002, and have issued our report thereon dated April 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of Legal Services Corporation's *Accounting Guide for LSC Recipients and Compliance Supplement for Audits of LSC Recipients*. Our audit of the financial statements as of December 31, 2002, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Type of Opinion on Compliance
For Major Programs

Unqualified ☒ Qualified ☐
Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133,
Section 510(a)? ☒ Yes ☐ No

c. Identification of Major Programs

CDFA Number

Name of Federal Program

09.619010

Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
☐ Yes ☒ No

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section II. Financial Statement Findings

#2002-1 - Controls Over Payroll

Finding: We noted the following inaccuracies while performing audit procedures relating to payroll checks selected for testing in our examination of controls over disbursements:

- Thirteen of the 25 timesheets examined contained clerical errors.
- Seven of the 25 timesheets examined did not contain the date that the employee and/or supervisor signed the timesheets.
- Twelve of the 25 timesheets examined did not contain the total number of hours worked and 1 of the 25 timesheets examined contained an incorrect total number of hours worked.
- Three of the 25 timesheets examined had incorrect or missing time.
- One of the 19 personnel files examined did not contain a salary authorization form for the employee's current rate of pay.

Recommendation: Although none of the inaccuracies described above resulted in incorrect pay to any employee, it feasibly could have with these kinds of errors. We recommend the following relating to the above inaccuracies:

- All timesheets should be reviewed for clerical accuracy to ensure proper pay.
- All timesheets should be filled out completely and accurately and reviewed by management for missing or incorrect information.
- All personnel files should include a salary authorization form (or other form of supporting documentation) to substantiate each employee's current rate of pay.

Response: In September 2002, we hired a third person for the accounting department. This person is now responsible for the clerical accuracy of payroll time cards. Capital Area Legal Services Corporation has only one hourly employee, her time card was not selected for the testing. Her hours are always totaled prior to submission of the payroll for processing. All other employees are salaried. For these salaried employees, the number of hours on the time card has no direct relation to the number of hours paid on the paycheck. Therefore, no employee could have been over or under paid as a result of the inaccuracy of the time card. (See FLSA, 29 U.S.C. 201 et seq.) Management plans to explain to staff, at our training scheduled for April 25, 2003, the importance of completing their time cards properly.

The one employee who did not have salary authorization in his file was paid properly. Documentation was provided to the auditors to prove that the rate at which he was being paid was approved by the Board of Directors. Proper documentation has been placed in his personnel file.

#2002-2 - Controls Over Purchasing

Finding: The Corporation overpaid a vendor by approximately \$6,000. The overpayment occurred because the Corporation paid ½ of the estimate for the installation of a telephone system for its Donaldsonville, Gonzales, and Houma offices as a down payment, then when the vendor submitted three separate invoices (one for each office) the Corporation paid each of the invoices in full rather than subtracting

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section II. Financial Statement Findings (continued)

#2002-2 - Controls Over Purchasing (continued)

the original down payment amount. This indicates a deficiency in internal controls relating to the purchasing cycle.

Recommendation: We recommend that accounting personnel match up all invoices with the applicable purchase order to determine correctness and that the Director of Finance and Personnel closely evaluate all invoices submitted for payment. We further recommend that the Executive Director carefully examine all check vouchers prepared by the accounting department to ensure propriety.

Response: The normal procedure for the processing of accounts payables is as follows: The Accounting Clerk receives the invoice and checks it for accuracy. The invoice is then matched with the approving documentation, whether it is a purchase order, packing slip, etc. Once the invoice is deemed to be valid, a voucher is prepared for the approval by the Director of Finance and Personnel. Once she reviews it, it is given back to the Accounting Clerk to prepare a check. Once the check is prepared, it is passed to the Executive Director for his approval and his signature on the attached check. This particular incident was a rare occurrence. The Accounting Clerk has been made aware of the severity of this incident. The overpayment has been refunded to Capital Area Legal Services Corporation. With the additional staff in our department, the Director of Finance and Personnel will have more time to carefully review all vouchers to ensure that this type of incident will be avoided in the future. Capital Area Legal Services Corporation has also engaged a CPA firm to do periodic reviews of our financial operations.

#2002-3 - Monthly St. John Council on Aging Reports

Finding: We noted the following while examining the monthly reports submitted to the St. John Council on Aging:

- The February and March 2002 monthly reports submitted by the Corporation to the grantor, the St. John Council on Aging, were incomplete.
- The May 2002 monthly report submitted by the Corporation to the grantor contained a transposition error that resulted in the Corporation requesting \$72 less than it should have. However, the grantor remitted the correct amount to the Corporation.
- The August and September 2002 monthly reports submitted by the Corporation to the grantor were incorrect in that the monthly expenditures column equaled the expenditures to date column rather than containing only the current month's expenditures. However, the grantor remitted the correct amount to the Corporation.

Recommendation: We recommend that greater care be taken in completing reports to funding agencies and that management review these reports for completeness and accuracy.

Response: The monthly reports are only supplements for the billings that are done. Each report is accompanied with a billing letter indicating what amount is due. The grantor remitted the amount requested.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section II. Financial Statement Findings (continued)

#2002-4 - Quarterly IOLTA Project Reports

Finding: The fourth quarter 2002 IOLTA Project report submitted by the Corporation to the Louisiana Bar Foundation was inaccurate. The report contained clerical errors in the financial portion and erroneous information in the narrative portion.

Recommendation: We recommend that greater care be taken in completing reports to funding agencies and that management review these reports for completeness and accuracy. We further recommend that a revised report for the fourth quarter 2002 be prepared and submitted to the Louisiana Bar Foundation with the appropriate information corrected.

Response: The clerical error in the financial reporting occurred when the formula for addition was not extended to include the column that had expenses relating to non-IOLTA costs. This resulted in an understatement in the cost of non-IOLTA cost and the total cost to support the IOLTA grant. The total cost associated with the IOLTA grant is correct and the error reported had no effect on any reporting pertaining to the IOLTA grant. All audit responses are submitted to IOLTA and will be discussed with them if necessary.

Section III. Federal Award Findings and Questioned Costs

#2002-5 - Case Service Reporting

Finding: While performing audit procedures relative to the review of sampled case files, the following inaccuracies were noted:

- The reason for case closure for 4 of the 60 sampled case files was incorrect.
- The Corporation's case management system incorrectly shows 2 of the 60 sampled case files as open when in fact they were closed in the old case management system and that information was inadvertently not transferred over to the new case management system.
- The problem code for 2 of the 60 sampled case files was incorrect.
- The Corporation's case management system incorrectly shows 2 of the 60 sampled case files as open when in fact they were closed and the case files subsequently destroyed because they were greater than 5 years old.

Recommendation: We recommend the following relating to the above inaccuracies:

- The Corporation should provide adequate guidance to all intake staff and case handlers on correctly defining and coding all case files.
- The Corporation should ensure the accuracy of all case codings posted to the case management system.
- The Corporation should ensure the accuracy of case statistical information reported to LSC.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-5 - Case Service Reporting (continued)

- Management should perform periodic reviews of case files to ensure accurate case service reporting.
- The Corporation should review all case files shown as open in the case management system greater than 5 years old to ensure that the cases are still open and active. We noted 617 case files greater than 5 years old shown as open in the case management system.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation conducts at least three (3) staff trainings a year that update the staff on proper intake procedures that includes case closure codes.

The Corporation also conducts a self-inspection of a sample of closed cases prior to submitting yearly Case Service Reporting (CSR) data to LSC. The purpose of the self-inspection process is to verify that the CSR data meets LSC standards for accuracy. LSC allows for a 10 percent error rate and Capital Area Legal Services Corporation falls well below the 10 percent.

Management performs reviews of all closed case files to ensure the accuracy of case service reporting.

The Corporation updated its case management software in 2002. This update does not accurately reflect the number of open cases in our current system. To reconcile this situation, Capital Area Legal Services Corporation is in the process of reviewing all open cases in the case management system by individual case handler to determine the status of each open case.

#2002-6 - Eligibility - Authorized Exceptions

Finding: While performing audit procedures relative to the review of sampled files of over income clients served, the following inaccuracies were noted:

- We could not recalculate the monthly income amount on the intake application, which is used to determine financial eligibility, based on the supporting documentation contained in 2 of the 5 sampled files of over income clients served. Due to this error, the waiver of financial eligibility, which the Executive Director uses to make a determination relative to case acceptance, was incorrectly prepared.
- One of the 5 sampled files of over income clients served did not contain a decision relative to case acceptance on the waiver of financial eligibility. The case file was closed because the applicant had monthly income over the established eligibility guidelines; therefore, services were not provided to the applicant over the established eligibility guidelines, but documentation regarding that determination is absent from the case file.
- One of the 5 sampled files of over income clients served did not contain a waiver of financial eligibility and the case management form indicates that the funding source is LSC; therefore, the requirements of 45 CFR \$1611.4, *Eligibility - Authorized Exceptions*, are applicable. Per the case record sheet, the case file was reviewed and the applicant was determined to be eligible under

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-6 - Eligibility - Authorized Exceptions (continued)

- the elderly grant. Therefore, the case management form in the case management system should have been updated to reflect a non-LSC funding source, thereby eliminating this LSC requirement.

Recommendation: We recommend that the Corporation ensure that all intake staff and case handlers understand and adhere to the policies and procedures relative to determining and documenting financial eligibility. We also recommend that management perform periodic reviews of case files to ensure that the computation of monthly income is accurate and that the determination of case acceptance is proper given the circumstances particular to each case. We further recommend that each file of over income clients served contain a waiver of financial eligibility that documents the Executive Director's determination of case acceptance.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation will continue to train its intake staff by conducting staff trainings to ensure the accuracy of determining financial eligibility.

Management already performs case reviews of all closed files.

The Executive Director reviews each file of over income clients that requires a waiver of financial eligibility before determining if the case will be accepted. As noted, on at least two (2) files, he requested additional information that would be needed to approve the waiver.

#2002-7 - Eligibility - Maximum Income Level

Finding: While reviewing the Corporation's eligibility guidelines for 2001 we noted the following problems:

- The annual income amount for a family of 8 was incorrectly computed as a result of a transposition error made by the Compliance Officer. This error carries forward into the computation of the monthly and weekly income amounts, which are used by the intake staff and case handlers to determine financial eligibility.
- The monthly income amount for a family of 4 was incorrectly computed as a result of a transposition error made by the Compliance Officer.

Recommendation: Although none of the sampled case files inspected were incorrectly accepted for representation based on the above miscalculations, they feasibly could have with this kind of error. We recommend that the Compliance Officer carefully calculate the financial eligibility guidelines based on 125% of the *Federal Poverty Income Guidelines*, as required by 45 CFR §1611.3, *Eligibility - Maximum Income Level*. We further recommend that the Director of Finance and Personnel review the calculation to ensure accuracy.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-7 - Eligibility - Maximum Income Level (continued)

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation will have the "Maximum Income Level" calculations on its financial eligibility guideline reviewed by management prior to its corporate-wide institution.

#2002-8 - Eligibility - Retainer Agreement

Finding: While performing audit procedures relative to the review of sampled case files, the following inaccuracies were noted:

- We noted that the monthly income amount from the manual intake sheet for one case file was incorrectly entered into the case management system. Although this applicant's eligibility determination was not affected by this error, it feasibly could have been with this kind of an error.
- We noted that the number of adults and children from the manual intake sheet for one case file was incorrectly entered into the case management system. Although this applicant's eligibility determination was not affected by this error, it feasibly could have been with this kind of an error.
- We noted that the retainer agreement in one case file was not signed by the client as required by 45 CFR §1611.8, *Eligibility - Retainer Agreement*.

Recommendation: We recommend the following relating to the above inaccuracies:

- Greater care should be taken in inputting all information from the manual intake sheets into the case management system to ensure that applicants are properly approved or rejected for legal services.
- The Corporation should ensure that all intake staff and case handlers understand and adhere to the requirements of 45 CFR §1611.8.
- Management should perform periodic reviews of case files to ensure that the requirements of 45 CFR §1611.8 are consistently met.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation will ensure that the staff will receive further training on our case management system and the Legal Services rules and regulations. The self-inspection procedure ensures that we are meeting the requirements of 45 CFR §1611.8.

#2002-9 - LSC Grant Assurances

Finding: The LSC Fiscal Year 2002 Grant Assurances states that the Corporation will adopt an Equal Opportunity Policy Statement and Sexual Harassment Policy and that each of them will have been reviewed and approved by the Board of Directors within the last three years. The Corporation has adopted an Equal Opportunity Policy Statement that was revised January 1, 1993, and it is incorporated into the personnel manual. The Corporation has also adopted a Sexual Harassment Policy that was approved by the Board of Directors on January 31, 1994, and is incorporated into the personnel manual. However, the Corporation has not reviewed and approved these policies since that time.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-9 - LSC Grant Assurances (continued)

Recommendation: We recommend that the Board of Directors review and approve both the Equal Opportunity Policy Statement and Sexual Harassment Policy as soon as practical for submission to LSC. We further recommend that the Board of Directors review each of these policies every three years as required by the LSC Grant Assurances.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation will have its Equal Opportunity Policy and Sexual Harassment Policy reviewed by the Board of Directors at its April 2003 meeting for submission to LSC. Capital Area Legal Services Corporation will also place the three (3) year review and approval date calendared in its automated calendar system.

#2002-10 - Subgrant Agreement - Case Handling

Finding: While performing audit procedures relative to the review of sampled case files, the following deficiency related to cases referred to the Baton Rouge Bar Foundation was noted:

- The Corporation's case management system shows 5 of the 60 sampled case files referred to the Baton Rouge Bar Foundation as open at year-end. Since these case files date back to 1995 we asked the Pro Bono Coordinator for an update on the case statuses and were informed of the following:
 - o Three of the case files were closed by the Baton Rouge Bar Foundation and the necessary closing documents and case files were not forwarded to the Corporation for closure in the case management system.
 - o One of the case files is no longer active but the necessary closing documents and case file have not been forwarded to the Corporation from the Baton Rouge Bar Foundation for closure in the case management system.
 - o No update could be obtained for one of the case files referred to the Baton Rouge Bar Foundation, thus no determination of case status could be made.

Recommendation: We recommend that the Pro Bono Coordinator obtain the necessary closing documents from the Baton Rouge Bar Foundation for inclusion in the applicable case files. We further recommend that these case files be closed in the case management system to ensure accurate case service reporting. Additionally, we recommend that a system of monitoring cases referred to the Baton Rouge Bar Foundation be developed and implemented by management and overseen by the Pro Bono Coordinator.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation is in the process of implementing this system of monitoring.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-11 - Subgrant Agreement - General

Finding: The subgrant agreement between the Corporation and the Baton Rouge Bar Foundation incorrectly states an ending date of December 31, 2001, rather than December 31, 2002, and the amended subgrant agreement incorrectly states that the term of the agreement is for 8 ½ months rather than 9 ½ months. Additionally, the Corporation did not make a timely request for approval from LSC for the original subgrant agreement for the term of January 1, 2002 - December 31, 2002. Therefore, LSC did not grant the Corporation's request for approval of a January 1, 2002, beginning date, but instead approved a beginning date of March 15, 2002, thereby reducing the amount of funding provided to the Baton Rouge Bar Foundation by approximately 21%.

Recommendation: We recommend that management carefully prepare, review, and execute all subgrant agreements. We further recommend that the Corporation make a timely request for approval from LSC of all subgrant agreements to ensure maximum benefit is received by the subgrantee and the Corporation.

Response: Capital Area Legal Services Corporation disagrees with this finding.

The Corporation was informed by LSC that they did not have the subgrant agreement. We had sent the agreement, but did not have proof that it was sent. So in March, we resent the agreement to LSC. When LSC only approved the subgrant from March 15 - December 31, 2002, the subgrantee was paid accordingly. The number of cases handled by the subgrantee was not reduced. We have sent and received an approval for the subgrant for the year 2003.

#2002-12 - Subgrant Agreement - Monitoring

Finding: The subgrant agreement between the Corporation and the Baton Rouge Bar Foundation requires that the subgrantee, "perform quarterly monitoring, management, and reporting to [the Corporation] on all open case files referred by [the Corporation]." The subgrantee is also required to, "provide [the Corporation] with copies of [their] internal status reports used in the monitoring of open case files." We discussed this requirement of the subgrant agreement with the Pro Bono Coordinator, who informed us that the subgrantee does provide quarterly reports to the Corporation, but those reports only contain information on approximately 200 case files each quarter and the Baton Rouge Bar Foundation has over 800 open case files referred by the Corporation as of April 2, 2003.

Recommendation: We recommend that the Corporation request copies of the Baton Rouge Bar Foundation's internal status reports for all open case files at year-end. We also recommend that the system of monitoring cases referred to the subgrantee be implemented by management and overseen by the Pro Bono Coordinator.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation is in the process of implementing the system.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-13 - Policies and Procedures

Finding:

- **Policy Governing the Outside Practice of Law** - Section IV - *Compensated Outside Practice - Subsection B*: the requirement of 45 CFR §1604.4(b), *Outside Practice of Law - Compensated Outside Practice*, that requires all attorneys remit to the Corporation all compensation received resulting from a court appointment is missing from the Corporation's policies and procedures relating to the outside practice of law.
- **Policy Prohibiting Use of Funds** - Section IV - *Authorized Use of Other Funds - Subsection B*: the underlined portion of the following requirement of 45 CFR §1610.4(b), *Use of Non-LSC Funds - Authorized Use of Non-LSC Funds*, is missing from the Corporation's policies and procedures relating to the use of non-LSC funds: "a recipient may receive public or IOLTA funds and use them in accordance with the specific purposes for which they were provided, if the funds are not used for any activity prohibited by or inconsistent with Section 504."
- **Financial Eligibility Policy**: the requirement of 45 CFR §1611.9, *Eligibility - Change in Circumstances*, is missing from the Corporation's policies and procedures relating to eligibility.
- **Restriction on Lobbying and in Certain Other Activities**: the requirement of 45 CFR §1612.5(c)(1), *Restrictions on Lobbying and Certain Other Activities - Permissible Activities Using Any Funds*, is missing from the Corporation's policies and procedures relating to restrictions on lobbying.
- **Restriction on Solicitation Policy** - Section IV - *Exemption*: the requirement of 45 CFR §1638.4(c), *Restriction on Solicitation - Permissible Activities*, is missing from the Corporation's policies and procedures relating to restrictions on solicitation.

Recommendation: We recommend that the Corporation review all of LSC's regulations to ensure that all requirements, conditions, prohibitions, and restrictions of those regulations are incorporated into their internal policies and procedures.

Response: Capital Area Legal Services Corporation concurs with the recommendation.

The Corporation will submit revisions to its policies, *Governing the Outside Practice of Law*, *Prohibiting Use of Funds*, *Financial Eligibility*, *Restricting Lobbying and in Certain Other Activities*, *Restricting Solicitation*, at its April 2003 Board of Directors meeting. Capital Area Legal Services Corporation will also have all its policies reviewed by its Board of Directors to ensure that all LSC requirements, conditions, prohibitions, and restrictions are incorporated into its internal policies and procedures.

#2002-14 - Use of Non-LSC Funds

Finding: Capital Area Legal Services Corporation is not in compliance with 45 CFR §1610.5, *Use of Non-LSC Funds - Notification*, which states that no recipient of LSC funds may accept funds from any source other than LSC unless they provide written notification of the prohibitions and conditions which apply to the funds.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2002

Section III. Federal Award Findings and Questioned Costs (continued)

#2002-14 - Use of Non-LSC Funds (continued)

Recommendation: We recommend that the Corporation provide written notification to all funding sources of the prohibitions and conditions which apply to the use of non-LSC funds as required by 45 CFR §1610.5.

Response: During the fiscal year 2002, Capital Area Legal Services Corporation did not provide written notification to all its funders for the year. The only new sources of revenue that the Corporation had was from donations received during our fund-raising drive. Any contributors donating more than \$250 to Capital Area Legal Services Corporation did receive an acknowledgement letter. We did not send letters to funders who have received letters in the past. This is recurring revenue and the grants are the same from prior years. If necessary, Capital Area Legal Services Corporation will send letters to all funding sources on an annual basis.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended December 31, 2002

Section I. Internal Control and Compliance Material to the Financial Statements

NC-1 - Form 5500 has not been filed for Capital Area Legal Services Corporation's
Deferred Compensation Plan

Status: RESOLVED

IC-1 - Some Policies and Procedures are Not Being Followed as Prescribed

Status: RESOLVED

IC-2 - The Knowledge and Skills of Key Employees Has Not Kept Pace with Capital Area
Legal Services Corporation's Growth and Expansion

Status: RESOLVED

IC-3 - Board of Directors and Audit Committee Participation

Status: RESOLVED

IC-4 - Assignment of Authority and Responsibility

Status: RESOLVED

IC-5 - Prior Year Findings Have Not Been Corrected

Status: RESOLVED

Section II. Internal Control and Compliance Material to Federal Awards

Findings IC-1 through IC-5 described above also apply to the Corporation's Federal award programs because the same internal control system is used for all of the Corporation's activities. Likewise, the status of each of the findings described above also apply to the Corporation's Federal award programs.

Section III. Management Letter

ML-1 - Notification Requirements Relating to the Use of Non-LSC Funds Pursuant to 45
CFR \$1610

Status: This finding is unresolved and repeated for the year ended December 31, 2002, and is described at #2002-14 in the schedule of findings and questioned costs.

ML-2 - Monitoring and Subgrants Pursuant to 45 CFR \$1627

Status: RESOLVED

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
Year Ended December 31, 2002

Section III. Management Letter (continued)

ML-3 - Disclosure of Case Information Pursuant to 45 CFR §1644

Status: RESOLVED

ML-4 - Cost Standards and Procedures Pursuant to 45 CFR §1630.4 and Timekeeping
Pursuant to 45 CFR §1635.3

Status: RESOLVED

ML-5 - Fixed Asset Inventory

Status: RESOLVED

ML-6 - Paying Vendors

Status: RESOLVED

ML-7 - Poverty Guideline Approval

Status: RESOLVED

ML-8 - Legal and Tax Alerts

Status: RESOLVED

ML-9 - Travel Advances

Status: RESOLVED

ML-10 - Elderly Protective Services

Status: RESOLVED

ML-11 - IOLTA Program

Status: RESOLVED



**LAW OFFICES OF
CAPITAL AREA LEGAL SERVICES CORPORATION**

200 Third St.
Baton Rouge, La 70801

Tel. (225) 387-5173
Fax (225) 387-4802 (Administration)

JAMES A. WAYNE, SR., Executive Director

**MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2002**

Section I. Internal Control and Compliance Material to the Financial Statements

#2002-1 - Controls Over Payroll

In September 2002, we hired a third person for the accounting department. This person is now responsible for the clerical accuracy of payroll time cards. Capital Area Legal Services Corporation has only one hourly employee, her time card was not selected for the testing. Her hours are always totaled prior to submission of the payroll for processing. All other employees are salaried. For these salaried employees, the number of hours on the time card has no direct relation to the number of hours paid on the paycheck. Therefore, no employee could have been over or under paid as a result of the inaccuracy of the time card. (See FLSA, 29 U.S.C. 201 et seq.) Management plans to explain to staff, at our training scheduled for April 25, 2003, the importance of completing their time cards properly:

The one employee who did not have salary authorization in his file was paid properly. Documentation was provided to the auditors to prove that the rate at which he was being paid was approved by the Board of Directors. Proper documentation has been placed in his personnel file.

#2002-2 - Controls Over Purchasing

The normal procedure for the processing of accounts payables is as follows: The Accounting Clerk receives the invoice and checks it for accuracy. The invoice is then matched with the approving documentation, whether it is a purchase order, packing slip, etc. Once the invoice is deemed to be valid, a voucher is prepared for the approval by the Director of Finance and Personnel. Once she reviews it, it is given back to the Accounting Clerk to prepare a check. Once the check is prepared, it is passed to the Executive Director for his approval and his signature on the attached check. This particular incident was a rare occurrence. The Accounting Clerk has been made aware of the severity of this incident. The overpayment has been refunded to Capital Area Legal Services Corporation. With the additional staff in our department, the Director of Finance and Personnel will have more time to carefully review all vouchers to ensure that this type of incident will be avoided in the future. Capital Area Legal Services Corporation has also engaged a CPA firm to do periodic reviews of our financial operations.

#2002-3 - Monthly St. John Council on Aging Reports

The monthly reports are only supplements for the billings that are done. Each report is accompanied with a billing letter indicating what amount is due. The grantor remitted the amount requested.

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2002

Section I. Internal Control and Compliance Material to the Financial Statements
(Continued)

#2002-4 - Quarterly IOLTA Project Reports

The clerical error in the financial reporting occurred when the formula for addition was not extended to include the column that had expenses relating to non-IOLTA costs. This resulted in an understatement in the cost of non-IOLTA cost and the total cost to support the IOLTA grant. The total cost associated with the IOLTA grant is correct and the error reported had no effect on any reporting pertaining to the IOLTA grant. All audit responses are submitted to IOLTA and will be discussed with them if necessary.

Section II. Internal Control and Compliance Material to Federal Awards

#2002-5 - Case Service Reporting

The Corporation conducts at least three (3) staff trainings a year that update the staff on proper intake procedures that includes case closure codes.

The Corporation also conducts a self-inspection of a sample of closed cases prior to submitting yearly Case Service Reporting (CSR) data to LSC. The purpose of the self-inspection process is to verify that the CSR data meets LSC standards for accuracy. LSC allows for a 10 percent error rate and Capital Area Legal Services Corporation falls well below the 10 percent.

Management performs reviews of all closed case files to ensure the accuracy of case service reporting.

The Corporation updated its case management software in 2002. This update does not accurately reflect the number of open cases in our current system. To reconcile this situation, Capital Area Legal Services Corporation is in the process of reviewing all open cases in the case management system by individual case handler to determine the status of each open case.

#2002-6 - Eligibility - Authorized Exceptions

The Corporation will continue to train its intake staff by conducting staff trainings to ensure the accuracy of determining financial eligibility.

Management already performs case reviews of all closed files.

The Executive Director reviews each file of over income clients that requires a waiver of financial eligibility before determining if the case will be accepted. As noted, on at least two (2) files, he requested additional information that would be needed to approve the waiver.

#2002-7 - Eligibility - Maximum Income Level

The Corporation will have the "Maximum Income Level" calculations on its financial eligibility guideline reviewed by management prior to its corporate-wide institution.

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2002

Section II. Internal Control and Compliance Material to Federal Awards (Continued)

#2002-8 - Eligibility - Retainer Agreement

The Corporation will ensure that the staff will receive further training on our case management system and the Legal Services rules and regulations. The self-inspection procedure ensures that we are meeting the requirements of 45 CFR §1611.8.

#2002-9 - LSC Grant Assurances

The Corporation will have its Equal Opportunity Policy and Sexual Harassment Policy reviewed by the Board of Directors at its April 2003 meeting for submission to LSC. Capital Area Legal Services Corporation will also place the three (3) year review and approval date calendared in its automated calendar system.

#2002-10 - Subgrant Agreement - Case Handling

The Corporation is in the process of implementing this system of monitoring.

#2002-11 - Subgrant Agreement - General

Capital Area Legal Services Corporation disagrees with this finding.

#2002-12 - Subgrant Agreement - Monitoring

The Corporation is in the process of implementing the system.

#2002-13 - Policies and Procedures

The Corporation will submit revisions to its policies, Governing the Outside Practice of Law, Prohibiting Use of Funds, Financial Eligibility, Restricting Lobbying and in Certain Other Activities, Restricting Solicitation, at its April 2003 Board of Directors meeting. Capital Area Legal Services Corporation will also have all its policies reviewed by its Board of Directors to ensure that all LSC requirements, conditions, prohibitions, and restrictions are incorporated into its internal policies and procedures.

#2002-14 - Use of Non-LSC Funds

During the fiscal year 2002, Capital Area Legal Services Corporation did not provide written notification to all its funders for the year. The only new sources of revenue that the Corporation had was from donations received during our fund-raising drive. Any contributors donating more than \$250 to Capital Area Legal Services Corporation did receive an acknowledgement letter. We did not send letters to funders who have received letters in the past. This is recurring revenue and the grants are the same from prior years. If necessary, Capital Area Legal Services Corporation will send letters to all funding sources on an annual basis.

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2002

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2002.

Responsible Party: James A. Wayne, Sr., Executive Director